

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L BRIDGETOWN 2175

E.O. 11652: GDS
TAGS: EAID, ECON, PFOR, PINR, PINT, US, BB, XL
SUBJ: ECONOMIC AND SOCIAL DEVELOPMENT ASSISTANCE TO THE EASTERN
CARIBBEAN

REFS: A) STATE 204041, B) STATE 198352, C) BRIDGETOWN 1785,
D) BRIDGETOWN 2013, E) BRIDGETOWN 2096

1. AS FURTHER COMMENT ON FACTORS THE EMBASSY BELIEVES SHOULD
BE AN INTEGRAL PART OF THE DELIBERATIONS OF THE AD HOC TASK
FORCE, WE WOULD LIKE TO DRAW MORE ATTENTION TO THE POSSIBLE
ROLE OF THE U.S. AND LOCAL PRIVATE SECTORS IN DEVELOPMENT OF
THE EASTERN CARIBBEAN.

2. THE PRIMARY SIGNIFICANCE TO THE U.S. OF THE ISLANDS' OWN
PRIVATE SECTORS IS THE FOLLOWING: IF THESE SECTORS FAIL TO
MAKE A CREDITABLE AND GROWING CONTRIBUTION TO THE MOVEMENT
OF THE ECONOMIES TOWARD VIABILITY--OR AT LEAST MORE VIABILITY
THAN THEY HAVE NOW--THERE WILL PERFORCE BE INCREASING
PRESSURES ON THE AMERICAN TAXPAYER FOR LARGER AND LARGER
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INVOLVEMENT, RESPONSIBILITY, AND OUTLAYS OF FUNDS, FOR
A LONG TIME IF NOT INDEED IN VIRTUAL PERPETUITY. MORE
EFFECTIVE INTERPLAY AND COOPERATION BETWEEN THE U.S.
PRIVATE SECTOR AND THE PRIVATE SECTORS OF THE ISLANDS
WOULD BE VERY MUCH IN OUR OWN INTEREST.

3. U.S. PRIVATE SECTOR ASSISTANCE IN THE FORM OF SERIOUS

EXPLORATION OF INVESTMENT OPPORTUNITIES WOULD COMPLEMENT ANY USG AID RESPONSE TO THE AREA. IN ASSURING A PLACE FOR PRIVATE INITIATIVES ON THE PART OF U.S. INVESTORS AND LOCAL BUSINESSMEN, SUCH AN EMPHASIS WOULD PRESUMABLY HELP SLOW MOVES TOWARD MORE RADICAL SOCIALIST SYSTEMS IN THE AREA. THUS THERE WOULD BE AN ADVANTAGE IN TERMS OF OUR TRADITIONS AS WELL AS OPPORTUNITY FOR OUR BUSINESSMEN. INVESTMENTS IN TOURISM AND EXOTIC TROPICAL PRODUCTS, IN WHICH THESE ISLANDS ALREADY HAVE A NATURAL ADVANTAGE, PARTICULARLY SUGGEST THEMSELVES.

4. TO A GREATER OR LESSER EXTENT, ALL THE ISLAND GOVERNMENTS ALREADY RECOGNIZE THAT FOREIGN INVESTMENT IS DESIRABLE, ALTHOUGH THE SOCIALIST ORIENTATION OF MUCH OF THE LEADERSHIP WOULD PREFER LOCAL GOVT PARTICIPATION OR MAJORITY OWNERSHIP AS A GUARANTEE THAT THE NEEDS OF THE ISLANDS ARE TAKEN INTO CONSIDERATION IN DEVELOPING PLANS AND PRODUCTS. MOST ISLANDS HAVE INCENTIVE PROGRAMS (E.G. TAX BREAKS, LAND OR FACTORY PROVISIONS) TO ENCOURAGE FOREIGN INVESTMENT.

5. ANTIGUA IS THE ONLY LDC THAT NOW HAS AN ACTIVE SALES AND PERSONAL REPRESENTATION CAMPAIGN DIRECT TO PRIVATE BUSINESS. IT HAS ACCORDINGLY BEEN THE MOST SUCCESSFUL OF ALL THE LDC'S IN THE AREA IN ATTRACTING THE ENCLAVE OR IMPORT-SUBSTITUTION TYPE OF INDUSTRY NEEDED TO
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DIVERSIFY ITS ECONOMY.

6. IT SEEMS TO US THAT A STRONG TALKING POINT IN OBTAINING A MORE EMPHATIC ATTITUDE ON THE PART OF THE ISLAND GOVERNMENTS TOWARD FOREIGN INVESTMENT IS THAT THE ANSWER TO UNEMPLOYMENT, PERHAPS THE NUMBER ONE LOCAL PROBLEM OF THE AREA, MAY WELL LIE WITH THE PRIVATE SECTOR.

7. WE ARE UNDER NO ILLUSION THAT A SIGNIFICANT INCREASE IN U.S. PRIVATE INVESTMENT IN THESE ISLANDS IS EASY TO ACCOMPLISH OR WOULD COME NEAR TO SOLVING THEIR WHOLE ECONOMIC PROBLEM; BUT IT COULD HELP. INDIGENOUS NEGATIVE FACTORS IN THIS CONNECTION INCLUDE THE SAME LIMITED RESOURCES, LACK OF MANAGEMENT AND LABOR SKILLS, AND INTRAREGIONAL ECONOMIC RIVALRIES THAT LIMIT EFFECTIVE GOVERNMENTAL AID RESPONSES. GENERALLY, SKILLED LABOR IS IN SHORT SUPPLY (THE LDC'S) OR OVERPRICED (BARBADOS), AND THUS LABOR INTENSIVE INDUSTRIES ARE DIFFICULT TO ESTABLISH ECONOMICALLY. ATTITUDES TOWARD AGRICULTURE, AS WELL AS THE PLEDGES OF GOVERNMENTS TO RETAIN THE LAND FOR THEIR OWN PEOPLES, LIMIT THE POSSIBILITY OF NEW AND ECONOMICALLY VIABLE AGRICULTURAL

PRODUCTION AND PROCESSING SCHEMES.

8. ADDED TO THE DIFFICULTIES MENTIONED IN PARA 7 IS THE APPARENT INABILITY OF SOME OF THE LEADERS OF THE LDC'S TO REALIZE THAT PERCEIVED INSTABILITY AND IDEOLOGICAL RAMBLINGS TURN OFF POTENTIAL INVESTORS EVEN IF THESE SAME LEADES ARE ON RECORD AS FAVORING AN ATTRACTIVE FOREIGN INVESTMENT POLICY. SOCIALISM MAY NOT WORRY THE U.S. POLICY MAKERS AS MUCH ANY MORE, BUT IT IS STILL NOT AN ATTRACTION TO U.S.PRIVATE BUSINESS.

9. THESE DIFFICULTIES NOTWITHSTANDING, THE ANTIGUA EXAMPLE INDICATES THAT INCREASED FOREIGN INVESTMENT COULD BECOME MORE GENERALLY WELCOME IN THE EASTERN
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CARIBBEAN, AND MIGHT HAVE A RATHER SUBSTANTIAL EFFECT ON THE ECONOMIC VIABILITY OF THE ISLANDS THE PEACE CORPS HAS LONG RECOGNIZED THIS POTENTIAL, AND HAS PROGRAMMED VOLUNTEERS SPECIFICALLY TO HELP ISLAND GOVERNMENTS ATTRACT INDUSTRY AND MAINTAIN A FAVORABLE INVESTMENT CLIMATE.

10. WE WOULD APPRECIATE COMMENTS ON THESE CONSIDERATIONS.
EDDY

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